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Rethinking the roles of family, market & state

HDRI

The process of transfer conversion:

Historical reconstruction of the emergence of the welfare state in (a) Sweden(-like country)

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Introduction

The curse of having high-quality data: searching for the key where the light is (and not, where the key was lost)

Two useful concepts:
Asymmetric visibility

Asset-based reallocations and public transfers connect large groups of people who do not necessarily know each other; the actors are connected by an intermediary (the government or a market actor)
In contrast, familial transfers connect small groups whose members are related; no outsiders are involved

Large-group arrangements imply administration and book-keeping; such arrangements leave an information trace and are (relatively) easy to collect data about
Familial transfers are not documented; the parties involved usually cannot tell the value of such transfers

Asset-based reallocations and public transfers are more visible for the statistical system

The curse of having high-quality data can distort conceptual frameworks, divert research and mislead policy

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Transfer conversion (Vanhuysse, Medgyesi and Gál 2023)

Inter-age reallocations flow in a multichannel system:

public (intermediary: the government)
asset-based (intermediary: a market actor)
familial (no intermediary or a network member)

A transfer is converted when reallocations between the same people switch from one channel to another

An example: a parent can use a combination of three channels to reallocate resources to his/her child

(i) stays at home to care for the child him/herself (unpaid household labor)
(ii) enters the labor market and uses the extra market income to buy goods and services for the child
(iii) enters the labor market and pays extra taxes that can finance public child-care

Switching between channels does not change the fact that it is still the same parent reallocating resources to the same child

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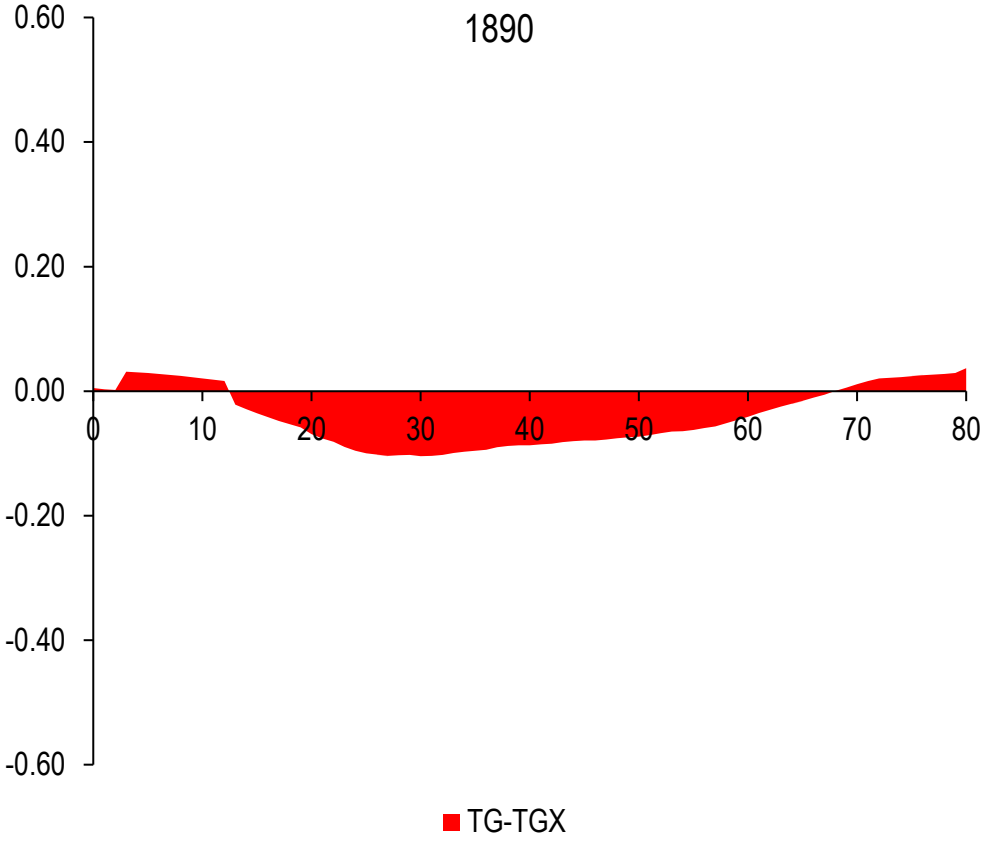
The process of transfer conversion: reconstruction of a long-term process



Historical reconstruction / backcasting: we apply a model of employment, wages, demography, growth, time-allocation

We feed the model with existing data on current age profiles, and retrospective data on demography and national accounts aggregates

We use Swedish data for their exceptional qualities
The results reflect historical realities of a Sweden-like country

Based on such age profiles we expect a process of ever larger burden on the working-age population and ever larger transfers to children and older people
Note that we limit ourselves to the welfare state (TG-TGX)

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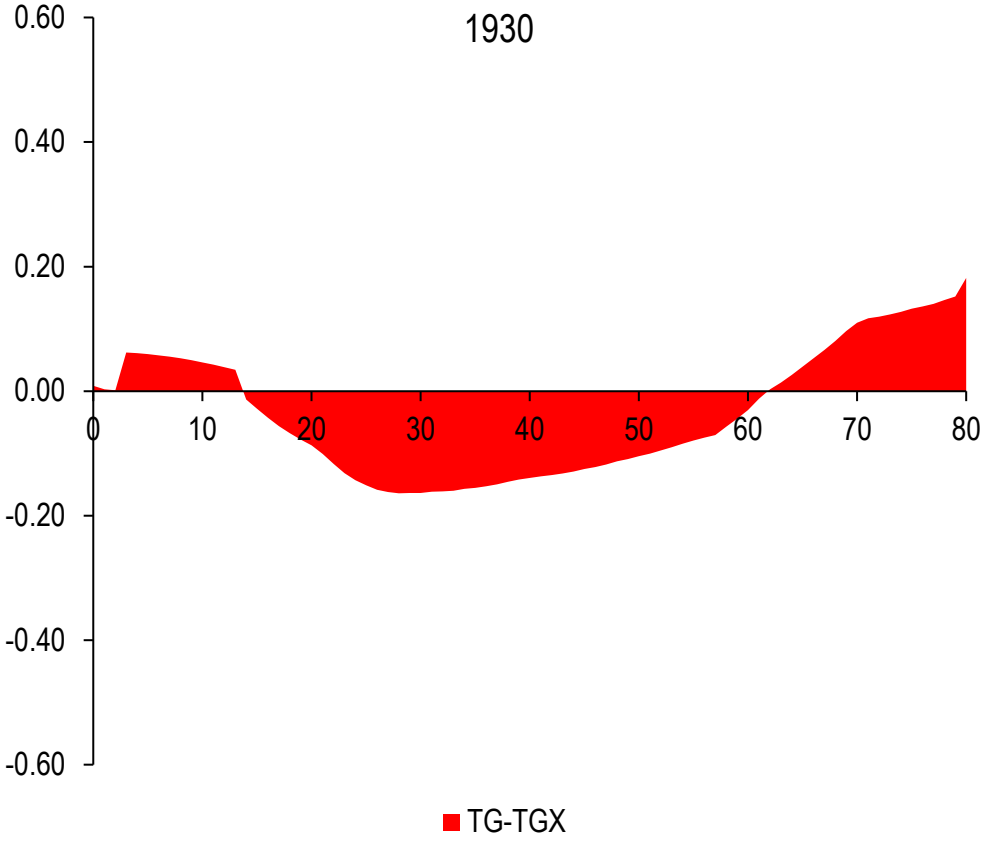

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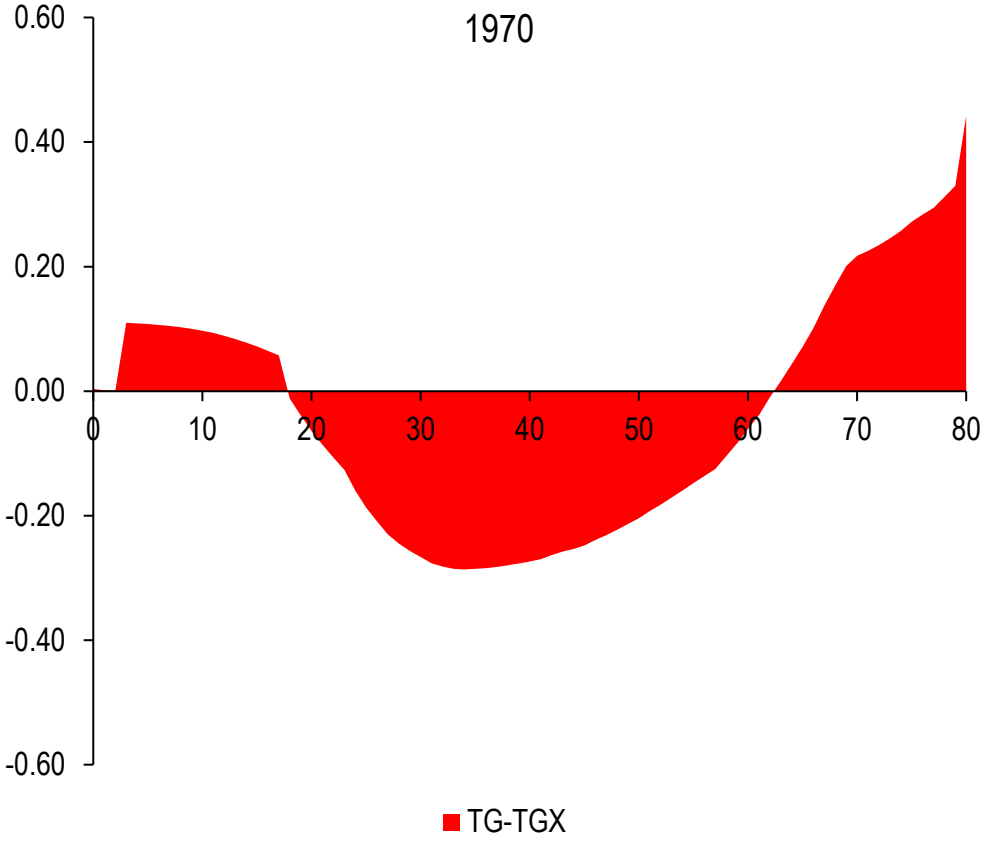

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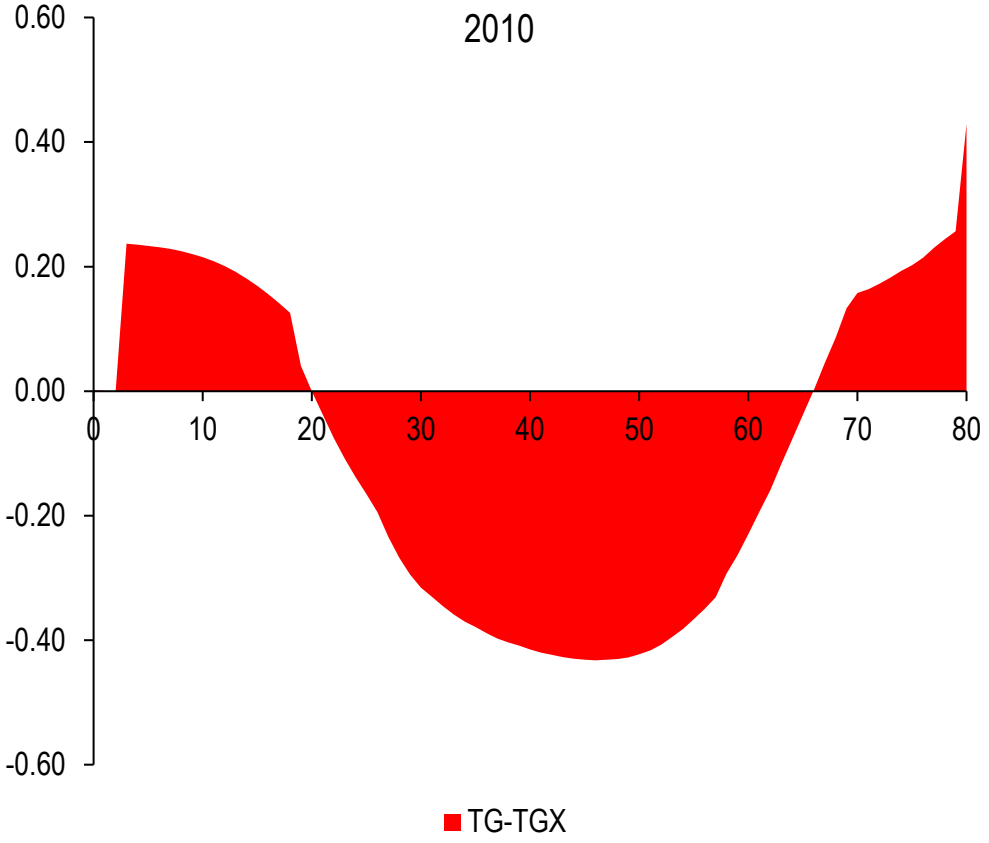

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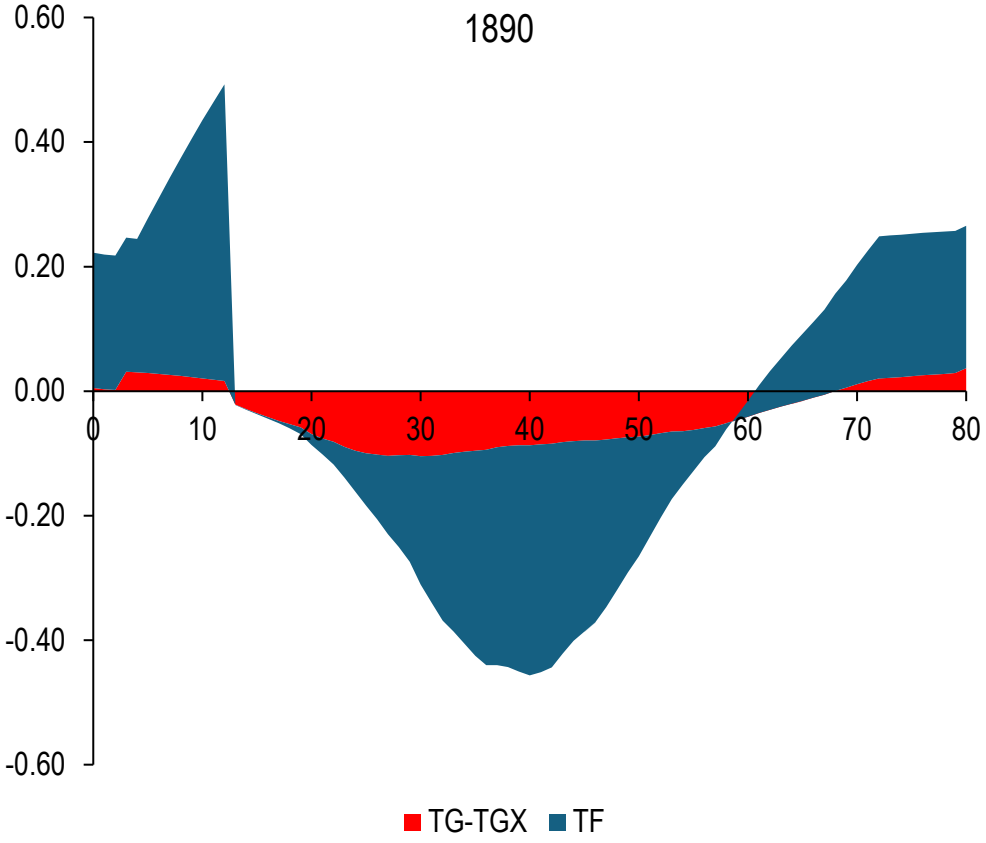

Using NTA tools we can demonstrate that the above time series drives us into the trap of asymmetric visibility
Unlike standard SNA, NTA does not stop the analysis of redistribution at disposable income: familial redistribution (TF)
Our model reconstructs familial transfers based on constructed families and a sharing model

Red areas represent public transfers, blue areas stand for familial transfers

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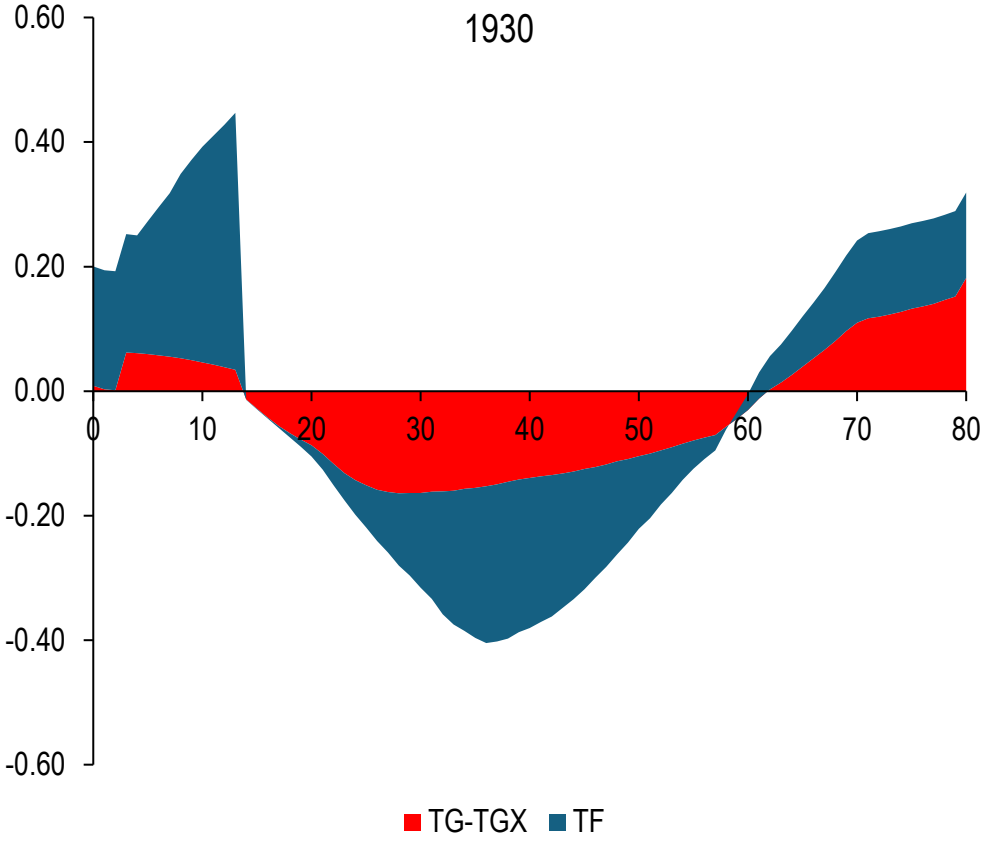

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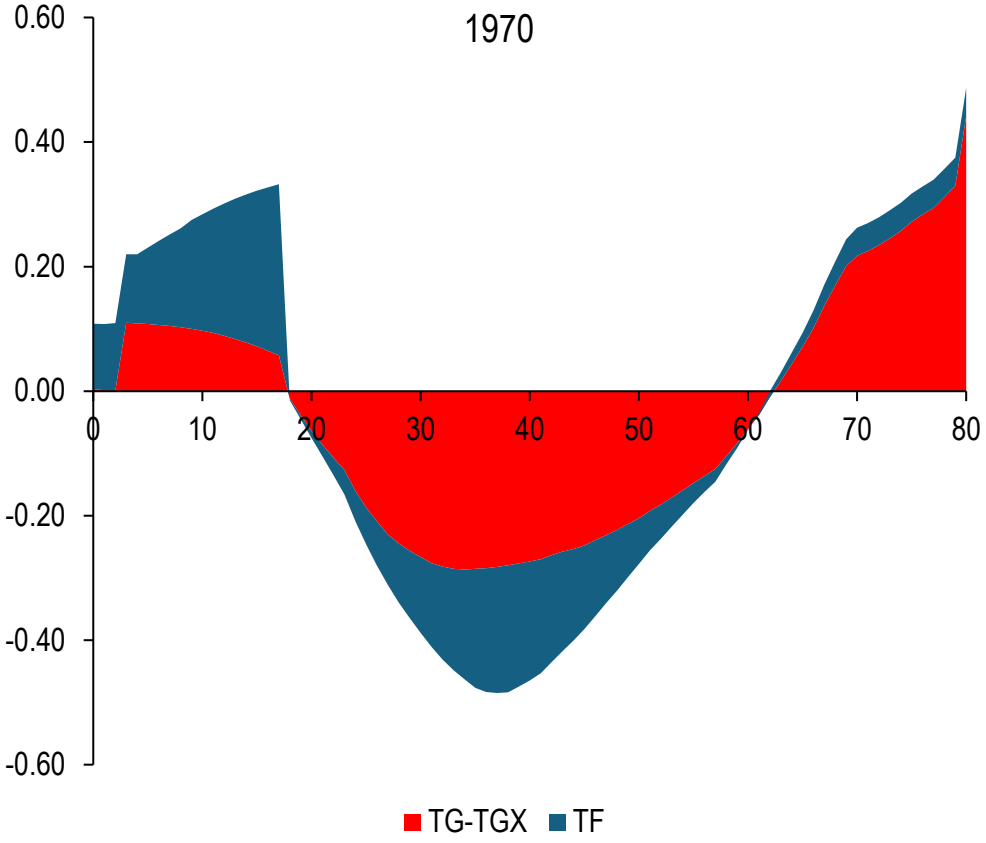

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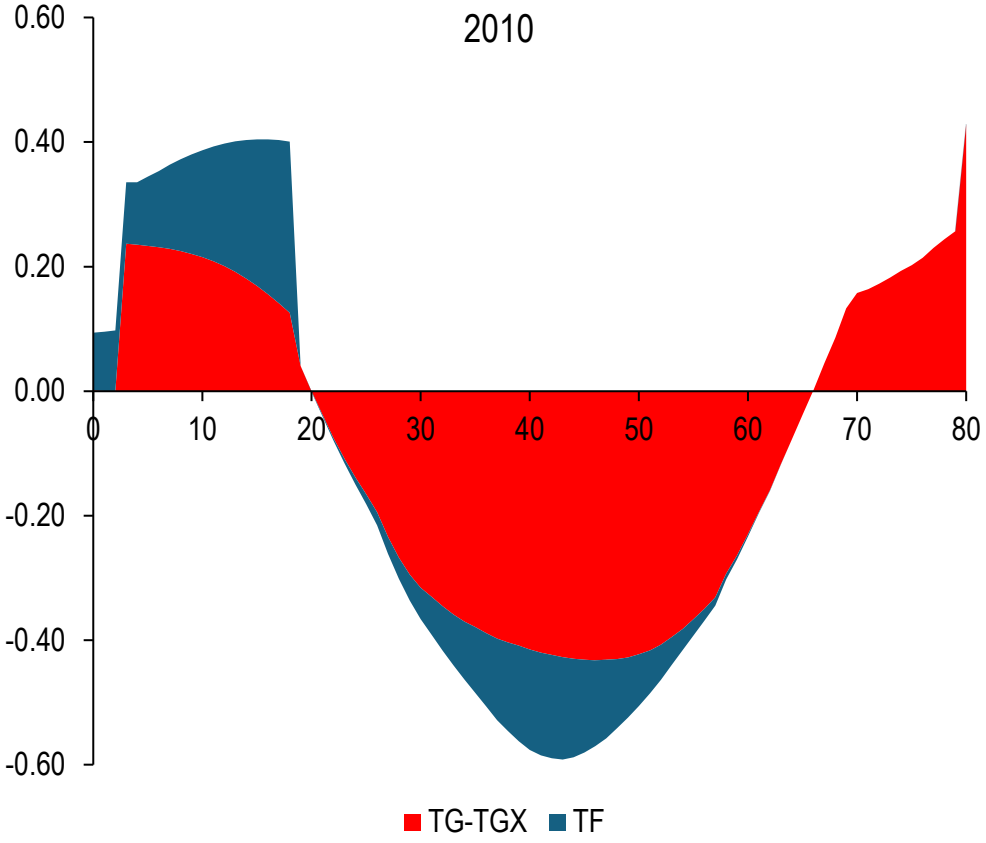

By adding familial transfers, we can find

an expansion of the inter-age transfer system (aggregate transfers could increase)

a transfer conversion (familial transfers are replaced by public transfers)

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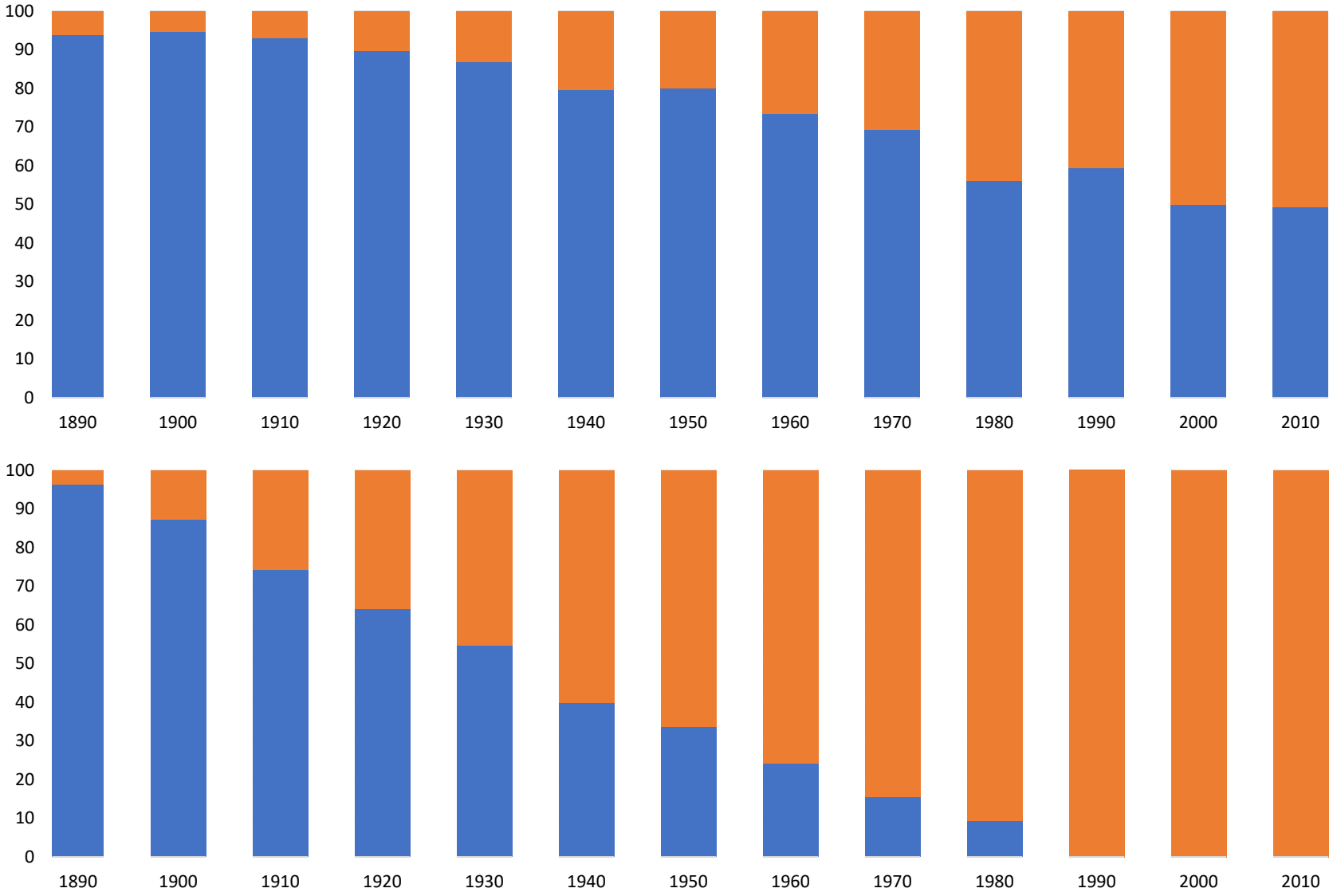
Conversion among transfers to children and to older people



The two panels of the chart show the changing composition of the (net) transfer package to children (upper panel) and to older people (lower panel)

Color code:

orange: public transfers

blue: familial transfers

The transfer package to children was affected quite differently than the transfer package to older people:

the „creeping gerontocracy" illusion

the „welfare state as luxury" illusion

invisible parental contributions

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Thank you for your attention!

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